

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 EA-11 AID-20 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 L-03 H-02

PA-03 PRS-01 USIA-12 CIAE-00 COME-00 FRB-02 INR-09

NSAE-00 TRSE-00 XMB-07 OPIC-12 LAB-06 SIL-01 AF-10

ARA-11 NEA-10 IO-12 RSR-01 /209 W

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R 141836 Z MAR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9672

TREASURY DEPT WASHDC

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TREASURY FOR HENNESSY

E. O. 11652: N/A

TAGS: EAID, IBRD

SUBJECT: IDA IV REPLENISHMENT MEETING MARCH 13

1. MORNING SESSION FEATURED UNEQUIVOCAL SUPPORT FOR
\$1.5 BILLION ANNUAL COUNTRY
CONTRIBUTION LEVEL FOR IDA
IV BY NINE COUNTRIES (IN ORDER OF SPEAKING, NETHERLANDS
GERMANY, UNITED KINGDOM, JAPAN, ITALY, DENMARK,
CANADA, NORWAY, AND SWEDEN. SOURCES INDICATED WIDE-
SPREAD AGREEMENT ON \$1.5 BILLION FIGURE HAD BEEN CO-
ORDINATED IN ADVANCE OF SESSION. THREE ADDITIONAL
DELEGATIONS (AUSTRIA, FINLAND, LUXEMBOURG) FELT CERTAIN
THEIR GOVERNMENTS WOULD SUPPORT \$ L.5 BILLION LEVEL IN
LIGHT OF BROAD SUPPORT BY OTHERS, BUT EMPHASIZED NEED
FOR FURTHER CONSULTATION WITH CAPITALS. BELGIUM AND
SOUTH AFRICA INDICATED COULD NOT TAKE ANY POSITION ON
AMOUNTS. SWISS INDICATED WOULD MAKE 50- YEAR INTEREST-
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FREE LOAN IN CONJUNCTION IDA IV BUT STATED NO AMOUNT.

2. AUSTRALIA ONLY COUNTRY TO INDICATE NON- SUPPORT \$ L.5 BILLION IN FAIRLY CLEAR TERMS. NOTEWORTHY THAT AUSTRALIANS TWICE SPOTLIGHTED FACT THAT NO AGREEMENT POSSIBLE WITHOUT US AND SAID REPLENISHMENT AGREEMENT SHOULD NOT COME INTO EFFECT WITHOUT US ACCEPTANCE.
3. FRENCH SAID UNWISE TRY TO SET OVERALL CONTRIBUTION LEVEL UNTIL POSITIONS OF MAJOR DELEGATIONS KNOWN, AND USELESS TO SET OBJECTIVES THAT COULD NOT BE MET BY QUOTE SOME MAJOR DELEGATIONS UNQUOTE. REFERENCE CLEARLY TO US, WHICH AT THAT POINT ONLY MAJOR DELEGATION NOT TO HAVE SPOKEN. FRENCH REITERATED GENERAL SUPPORT FOR IDA AND SAID WOULD BE PREPARED MAKE INCREASE IN ABSTLUTE LEVEL OF CONTRIBUTION.
4. US STATEMENT (LARSEN) INDICATED LITTLE CHANGE IN SUCCESSFUL REPLENISHMENT, DOUBT EXPRESSED THAT WE WOULD HAVE NECESSARY CONGRESSIONAL ANSWERS BY SUMMER, SINCE CONTACTS WITH COMMITTEES JUST BEGINNING. STATED IMPORTANCE REDUCTION IN US SHARE, AND DESCRIBED \$ L.5 BILLION AS AMBITIOUS FROM US VIEWPOINT, SINCE OWN THINKING CURRENTLY FOCUSED ON PRESENT ABSOLUTE LEVEL US CONTRIBUTION, POSSIBLY AS ADJUSTED BY TWO PAR VALUE CHANGES. MENTIONED MAINTENANCE OF VALUE AND ESTABLISHMENT OF INDEPENDENT AUDIT MECHANISM AS CONSIDERATIONS FOR PARALLEL DISCUSSION BY PART I DEPUTIES COMMITTEE.
5. AFTERNOON SESSION CONSIDERED MANAGEMENT PAPER PROPOSING THAT QUOTE PART II SPECIAL COUNTRIES UNQUOTE (IRELAND, SPAIN, YUGOSLAVIA, WHICH WERE CONTRIBUTING MORE THAN TOKEN AMOUNTS TO REPLENISHMENT) RECEIVE ADDITIONAL VOTING RIGHTS ON SAME BASIS AS PART I CONTRIB-UTORS. COMMENTS WERE GENERALLY FAVORABLE, BUT SEVERAL DELEGATIONS EXPRESSED CONCERN RE FURTHER DILUTION VOTING RIGHTS OF PART II COUNTRIES OTHER THAN

SPECIALS. CANADA AND SWEDEN RAISED QUESTION WHETHER ARTICLES SHOULD BE AMENDED TO PERMIT EASIER WAY OF PRESERVING PART II VOTES, ALTHOUGH CANADA DOUBTED

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AMENDMENT FEASIBLE IN SHORT TERM.

6. IN COURSE OF DISCUSSION OF PART II SPECIAL

CONTRIBUTIONS, MANAGEMENT SAID IT EXPECTED ISRAEL TO
BECOME A PART II SPECIAL CONTRIBUTOR TO IDA IV.

7. RE MAINTENANCE OF VALUE, MANAGEMENT PROMISED STAFF
PAPER IN 3-4 WEEKS. IDA GENERAL COUNSEL (NURICK)
INDICATED THAT MOV PROVISIONS IN ARTICLES OF AGREEMENT
DEALT ONLY WITH INITIAL SUBSCRIPTIONS, AND THAT APPLICA-
TION OF MOV TO SUBSEQUENT REPLENISHMENTS RESULTED FROM
PROVISIONS IN THE GOVERNORS' RESOLUTIONS FOR EACH ONE.
ACCORDINGLY, ELIMINATION MOV FROM FOURTH REPLENISHMENT
WOULD NOT REQUIRE AMENDMENT OF ARTICLES. CANADIAN
REPRESENTATIVE RAISED QUESTIONS ABOUT VALIDITY OF MOV
IN A SOFT LOAN ORGANIZATION, PARTICULARLY DURING A
PERIOD OF GREATER INSTABILITY IN EXCHANGE RATES WHEN
MOV MIGHT DISCOURAGE HIGH CONTRIBUTIONS FROM CERTAIN
DONORS. HE URGED THAT STAFF REVIEW BE " VERY BASIC".
UK REPRESENTATIVE SUPPORTED THIS VIEW. JAPANESE
REFERRED TO TECHNICAL DIFFICULTIES OF SUBJECT AND
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DESIRABILITY OF LOOKING AT STAFF PAPER BEFORE TAKING A
POSITION. NUMBER OF OTHER DELS PREFERRED SEE STAFF
PAPER BEFORE COMMENTING. FRENCH WERE DUBIOUS ABOUT
RE- EXAMINING MOV, FEELING THAT IDA HAD ENOUGH PROBLEMS
WITHOUT ADDIMIZTO THE EXISTING UNCERTAINTY AS TO THE

VALUE OF IDA'S AVAILABLE FUNDS. IDA MANAGEMENT, IN
SUMMING UP, SEEMED REASONABLY SYMPATHETIC TO US
POSITION.

8. RICKETT CONFIRMED NEXT MEETING FOR MAY 1-2 IN
TOKYO. HOPED THIS WOULD BE LAST MEETING BEFORE
WASHINGTON SESSION IN SUMMER TO DRAFT PROPOSAL FOR IDA
ANNUAL MEETING IN NAIROBI. NETHERLANDS DELEGATION
SUGGESTED IF FURTHER MEETING REQUIRED PRIOR TO
WASHINGTON MEETING, IT SHOULD BE HELD IN GENEVA IN JUNE
TO COINCIDE WITH UNDP COUNCIL.

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*** Current Classification *** LIMITED OFFICIAL USE

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